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THE IRON BAY TRUST

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 1977

Note 1

The Trust owns an 80% interest in a mining property in the Bruce Lake area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada Limited until April 30, 2040, and the Trust receives a royalty based on quantities of iron ore pellets shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets.

Note 2

The Trust indenture provides that \$1,000 is to be transferred annually to a Reserve Fund and the balance of receipts after deducting disbursements is to be distributed to the unit holders in the calendar year of receipt.

Note 3

The Trust has an authorized and issued capital of 2,560,005 Trust units.

THE IRON BAY TRUST

TRUSTEES'

interim report

FOR THE SIX MONTHS ENDED
JUNE 30, 1977

TRUSTEES

DAVID A. HUNTLEY
641 Davis Drive
Newmarket, Ontario L3Y 4W3
Tel. 884-8902

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto, Ontario
M5H 1B4

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
15 King Street West
Toronto, Ontario
M5H 1B4

THE IRON BAY TRUST

TRUSTEES' INTERIM REPORT

For the six months ended June 30, 1977

To the Trust Unit Holders:

Royalties received from The Griffith Mine during the six months ended June 30, 1977, amounted to \$654,748 from the production of 760,150 tons of iron ore pellets. In addition, \$329,531 was received in July from the production of 374,059 tons of pellets.

Details of the royalties received to date during the current year are listed below:

Shipment period	Tons of pellets	Royalty per ton	Royalty	Date royalty received
Oct. to Dec., 1976	391,656	84.29¢	\$ 330,119	Jan., 1977
Jan. to Mar., 1977	368,494	88.10¢	324,629	Apr., 1977
	760,150		654,748	
Apr. to June, 1977	374,059	88.10¢	329,531	July, 1977
	<u>1,134,209</u>		<u>\$ 984,279</u>	

Comparative details for the same period in the previous year are as follows:

Shipment period	Tons of pellets	Royalty per ton	Royalty	Date royalty received
Oct. to Dec., 1975	362,222	74.92¢	\$ 271,377	Jan., 1976
Jan. to Mar., 1976	368,653	80.08¢	295,217	Apr., 1976
	730,875		566,594	
Apr. to June, 1976	383,999	80.08¢	307,506	July, 1976
	<u>1,114,874</u>		<u>\$ 874,100</u>	

A quarterly distribution of 12 cents per Trust unit will be paid on August 29, 1977, to unit holders of record on August 12, 1977. After this payment, distributions for the year to date will total 37 cents per unit. The distribution for the same quarter in the previous year was 11 cents per unit and total distributions to this point in the previous year were 32 cents per unit.

DAVID A. HUNTLEY and
MONTREAL TRUST COMPANY,

Trustees.

August 19, 1977.

GENERAL FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS (Unaudited)

For the six months ended June 30, 1977

Receipts	1977	1976
Royalties	\$ 654,748	566,594
Interest	5,584	4,847
	<u>660,332</u>	<u>571,441</u>
Disbursements		
Administrative expenses	9,025	9,972
Transfer to Reserve Fund (note 2)	1,000	1,000
Trustees' fees	6,603	5,714
	<u>16,628</u>	<u>16,686</u>
Net receipts available for distribution	643,704	554,755
Distributions to unit holders	640,001	537,601
Net receipts	3,703	17,154
Cash on hand at beginning of year	16	10
Cash on hand at end of period	<u>\$ 3,719</u>	<u>17,164</u>
Distributions per unit	<u>25 cents</u>	<u>21 cents</u>

RESERVE FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS (Unaudited)

For the six months ended June 30, 1977

Receipts	1977	1976
Transfer from General Fund	\$ 1,000	1,000
Interest	617	539
	<u>1,617</u>	<u>1,539</u>
Cash on hand at beginning of year	13,373	11,264
Cash on hand at end of period	<u>\$ 14,990</u>	<u>12,803</u>

THE IRON BAY TRUST

ANNUAL REPORT OF THE TRUSTEES

FOR THE YEAR ENDED DECEMBER 31, 1977

TRUSTEES

DAVID A. HUNTLEY
641 Davis Drive
Newmarket, Ontario
L3Y 4W3
Tel. 884-8902

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto, Ontario
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TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
15 King Street West
Toronto, Ontario
M5H 1B4

THE IRON BAY TRUST

SUMMARY INFORMATION

Mining Property and Royalty

The Iron Bay Trust owns an 80% interest in the mining property of The Griffith Mine. The mine is located near Red Lake, Ontario, and is leased to The Steel Company of Canada, Limited. The Trust receives a royalty based on the tonnage of iron ore pellets shipped from the mine and the royalty rate changes proportionately with changes in the price of iron ore pellets. Increases in the price of pellets have caused the royalty rate to increase from 40 cents per ton in 1969 to 88.1 cents per ton at the present time.

Function of the Trust

The principal function of the Trust is to collect the royalty described above and disburse the royalty to the Trust unit holders in the calendar year of receipt.

Lessee of Mining Property

The Steel Company of Canada, Limited

Name of Project

The Griffith Mine

Date Trust Established

December 12, 1966

Three Year Financial Summary

	<u>1977</u>	<u>1976</u>	<u>1975</u>
Royalties received	\$1,333,887	1,201,322	1,032,294
Distributions to			
Trust Unit Holders . .	1,316,611	1,186,050	1,014,274
	51.43 cents	46.33 cents	39.62 cents
	per unit	per unit	per unit
Total Distributions to			
Trust Unit Holders			
from Inception			
to December 31, 1977 .	\$7,228,686	(\$2.82 per unit)	

THE IRON BAY TRUST

GENERAL FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS Year ended December 31, 1977

Receipts	1977	1976
Royalties	\$1,333,887	1,201,322
Interest	11,175	12,556
	<u>1,345,062</u>	<u>1,213,878</u>
Disbursements		
Administrative expenses	13,995	14,683
Transfer to Reserve Fund (note 2)	1,000	1,000
Trustees' fees	13,451	12,139
	<u>28,446</u>	<u>27,822</u>
Net receipts available for distribution	<u>1,316,616</u>	<u>1,186,056</u>
Distributions to unit holders	<u>1,316,611</u>	<u>1,186,050</u>
Net receipts	5	6
Cash on hand at beginning of year	16	10
Cash on hand at end of year	<u>\$ 21</u>	<u>16</u>
Distributions per unit	<u>51.43 cents</u>	<u>46.33 cents</u>

RESERVE FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS Year ended December 31, 1977

Receipts	1977	1976
Transfer from General Fund	\$ 1,000	1,000
Interest	1,290	1,109
	<u>2,290</u>	<u>2,109</u>
Cash on hand at beginning of year	<u>13,373</u>	<u>11,264</u>
Cash on hand at end of year	<u>\$ 15,663</u>	<u>13,373</u>

THE IRON BAY TRUST

ANNUAL REPORT OF THE TRUSTEES

For the year ended December 31, 1977

To the Trust Unit Holders:

Royalties received during 1977 from The Griffith Mine amounted to \$1,333,887 compared to \$1,201,322 in 1976. The Trust receives its production royalties on a quarterly basis and the following is a schedule of the amounts received in 1977:

<u>Mine Shipment Period</u>	<u>Tons of Pellets</u>	<u>Royalty per Ton</u>	<u>Royalty</u>	<u>Date Royalty Received</u>
October to December, 1976	391,656	84.29 cents	\$ 330,119	January, 1977
January to March, 1977 ..	368,494	88.10 cents	324,628	April, 1977
April to June, 1977 ...	374,059	88.10 cents	329,531	July, 1977
July to September, 1977	396,850	88.10 cents	349,609	October, 1977
	<u>1,531,059</u>		<u>\$1,333,887</u>	

Comparative details for 1976 are as follows:

<u>Mine Shipment Period</u>	<u>Tons of Pellets</u>	<u>Royalty per Ton</u>	<u>Royalty</u>	<u>Date Royalty Received</u>
October to December, 1975	362,222	74.92 cents	\$ 271,377	January, 1976
January to March, 1976 ..	368,653	80.08 cents	295,217	April, 1976
April to June, 1976 ...	383,999	80.08 cents	307,506	July, 1976
July to September, 1976	388,219	84.29 cents	327,222	October, 1976
	<u>1,503,093</u>		<u>\$1,201,322</u>	

The financial results of the Trust for 1977 are again at record high levels. The year 1977 is the tenth year in which the Trust has received royalties and made distributions to unit holders. Each year during this ten-year span the financial results have exceeded those of each prior year.

Royalties for the mine production period October to December, 1977, amounted to \$344,989 from the production of 391,606 tons of pellets. Payment was received in January, 1978.

The price of iron ore pellets increased during 1977 with the effect that the royalty rate to the Trust increased to 88.1 cents per ton.

For income tax purposes, the income of the Trust qualifies for resource allowance under the provisions of paragraph 20(1)(v.1) of the Income Tax Act. The allowance is 25% of royalty revenue of the Trust and the effect of the resource allowance is to exclude from taxable income 25% of amounts paid to unit holders.

Four distributions totalling 51.43 cents per unit were paid to unit holders during the year for an aggregate distribution of \$1,316,611. During the previous year, four distributions totalling 46.33 cents per unit were paid for an aggregate distribution of \$1,186,050. The following are details of the amounts paid in 1977:

<u>Royalty Distribution Number</u>	<u>Amount per Unit</u>	<u>Record Date</u>	<u>Payment Date</u>
30	12 cents	February 11	February 28
31	13 cents	May 13	May 30
32	12 cents	August 12	August 29
33	14.43 cents	November 11	November 28
	<u>51.43 cents</u>		

A quarterly distribution of 13 cents per unit will be paid on February 27, 1978, to unit holders of record on February 10, 1978.

DAVID A. HUNTLEY and
MONTREAL TRUST COMPANY,
Trustees.

February 14, 1978.

THE IRON BAY TRUST

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1977

1. The Trust owns an 80% interest in a mining property in the Bruce Lake Area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada, Limited until April 30, 2040, and the Trust receives a royalty based on quantities of iron ore pellets shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets.
2. The Trust indenture provides that \$1,000 is to be transferred annually to a reserve fund and the balance of receipts after deducting disbursements is to be distributed to the unit holders in the calendar year of receipt.
3. The Trust has an authorized and issued capital of 2,560,005 Trust units.

AUDITORS' REPORT

To the Unit Holders of
The Iron Bay Trust

We have examined the statements of receipts and disbursements of the General Fund and the Reserve Fund of The Iron Bay Trust for the year ended December 31, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these statements present fairly the cash transactions of the Trust for the year ended December 31, 1977 and the balance of cash on hand at that date.

THORNE RIDDELL & CO.

Chartered Accountants

Toronto, Canada
January 6, 1978